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19 July 1963

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CENTRAL

INTELLIGENCE

BULLETIN



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Greece: (Two political developments this week have improved the chances of a return to power by former Premier Karamanlis.)

On 17 July Premier Pipinelis announced that he plans to hold national elections between 20 and 31 October. Any prolonged postponement of the elections—as previously rumored—might have worked to erode Karamanlis' general popularity and his controlling position in his party.

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Earlier this week an open split appeared to have developed in the main opposition party, the moderate Center Union, when party leader Papandreou declared that further cooperation with the number two party figure, Sophocles Venizelos, was impossible.)

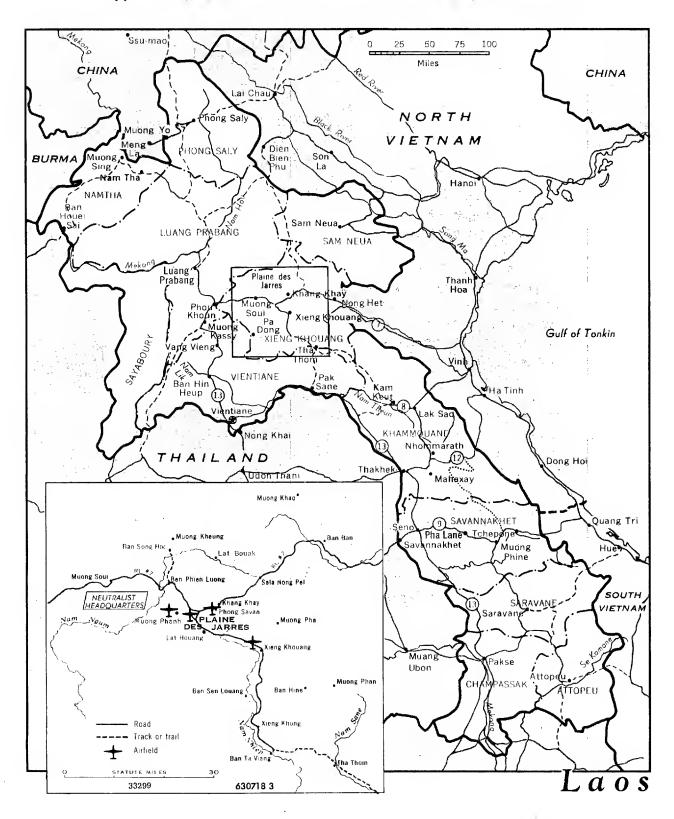
Should Venizelos leave the Center Union and take other leading figures with him, both Karamanlis' right of center National Radical Union and the Communist-dominated United Democratic Left would be likely to profit in the elections.

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*Laos: The heaviest and most concentrated barrage in the past two months against neutralist positions on the Plaine des Jarres took place on the night of 17-18 July, according to the US Army Attaché who visited the area.

He reports that no ground was lost by the neutralists and that the situation was quiet on the morning of the 18th. He said that Laotian Army and neutralist commanders, who were without reserves, expect further attacks.

General Phoumi is making contingency plans to launch a "large-scale operation" involving the use of T-28 aircraft to attack the Pathet Lao's forward positions on the Plaine des Jarres as well as Pathet Lao concentrations at Xieng Khouang and Khang Khay.

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*Syria: Yesterday's abortive "mutiny" in Damascus is likely to cause a complete breakdown of present negotiations for Egyptian-Syrian-Iraqi unity.

The Baath regime called for the arrest of four known Nasir supporters, whom it has called "criminal fugitives." This action is likely to compromise the talks now being held in Alexandria between a high Syrian delegation and Nasir. An Iraqi delegation is scheduled to arrive soon.

Despite the Syrian regime's implications of Nasirite involvement, the "mutineers" have not been identified and their motivations remain uncertain. Recent reports of growing dissension within the Baath itself suggest that at least some of the dissidents may have been disgruntled party members.

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West Germany: On 12 July, the Bonn cabinet approved a draft tax reform law which would have the effect of stimulating West German exports, thus strengthening the possibility that German foreign exchange surpluses may again become an important factor in US balance-of-payments difficulties.

(The proposed legislation would exempt export sales from the higher tax rates and, according to US Embassy estimates, introduction of the new system would have an effect equivalent to devaluation of the Deutschemark by about three to four percent.)

The proposed tax measure would facilitate the Common Market's long-term aim of harmonizing turn-over taxes within the community. While such harmonization would facilitate European integration, it may be effected in a way which would increase the EEC's competitive advantage over countries relying on direct taxation such as the US.)

Although a German Finance Ministry official says the new tax measure is unlikely to become effective before 1966, parliamentary consideration will begin this fall.

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